Canadian Investment Fund, Ltd.
Canada's Original Mutual Fund
41st Annual Report 1973

Canadian Investment Fund, Ltd.

Directors

G. Arnold Hart, M.B.E., *Chairman*
David W. Barr
Henry Borden, O.C., C.M.G., Q.C.
Hugh Bullock, K.B.E.
Alan Chippindale
G. Blair Gordon
William S. Kirkpatrick
Lucien G. Rolland
Ian D. Sinclair

Officers

Hugh Bullock, *President*
A. Blaikie Purvis, *Vice-President and Secretary*
Thomas C. Camp, *Vice-President*
Rolland A. Peloquin, *Treasurer*
Carl J.S. MacCallum, *Assistant-Secretary*
Pauline Butkus, *Assistant-Secretary*

Custodian

The Royal Trust Company
Montreal

Transfer Agents

The Royal Trust Company
Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Charlottetown
The Trust Company of New Jersey
Jersey City

Auditors

Price Waterhouse & Co.
Montreal

Executive Offices

C-I-L House
Montreal H3B 1X1
Canada

Charter member of CMFA The Canadian Mutual Funds Association

Supervised by:
Calvin Bullock, Ltd.
Established 1894

Canadian Investment Fund, Ltd.
41st Annual Report
for the fiscal year ended
December 31, 1973

To the Shareholders:

This report marks the forty-first year of operation for Canada's original mutual fund. Dividends, which have been paid quarterly since inception, at 21¢ per share for 1973, were an all-time high.

Much has been written over the years about what Canada is, or is supposed to be. Voltaire termed Canada "a few acres of snow". Others, more recently, but with equally suspect geological or economic credentials have spoken of our "vast, untapped resources".

Somewhere between cynicism and euphoria lies the hard reality. That reality has been graphically brought home to us in the recent anxiety caused by a potential fuel oil shortage in parts of Canada coming at the beginning of winter. We have not suffered, nor are we likely to, thanks to temporary measures to supply our needs from Canadian sources. Canada supplies only 3½ % of the total world's oil, but it is enough for all our needs once transportation is secured. Likewise Canada accounts for only about 7% of the world's natural gas supplies but it is sufficient for ourselves and hundreds of thousands of our American neighbours.

Just as railways linked east and west in the last century, north-south development of air routes, pipelines and roads are beginning to give Canada a third dimension. The costs of a Mackenzie Valley natural gas pipeline or Arctic Islands line, development of new oil and gas fields, and the James Bay hydroelectric development will be substantial. It is doubtful whether Canada has sufficient capital resources to launch these plans simultaneously. Foreign, mainly U.S., capital will probably have to augment domestic savings if these valuable resources are to be developed.

Canada has always been outward looking in its international relations. There are some who oppose this tradition and prefer to leave presently scarce resources undeveloped until Canadians themselves have need of them at some future date.

In the meantime the federal and provincial governments must decide who, if anyone other than themselves, are to share in increased profitability of presently high resource prices. Some companies, in whose stocks your savings are invested through CIF, have been treated to sudden government policy changes in recent months occasioned partly by changing circumstances forced upon us from outside.

At the time of writing however it appears that the process of negotiation is bringing resolution to political uncertainties both domestically here in

Canada and in the Middle East. There will be problems occasioned by oil importing countries having to pay considerably more for crude requirements and possibly through competitive currency devaluations abroad. But these problems are also susceptible to solution by international cooperation in the International Monetary Fund.

Strength of aggregate demand and the need for massive new outlays for plant and equipment point to continued growth in 1974, circumscribed only by limits of output.

Provided that government policies can be enunciated which give consideration to the people as savers and investors as well as consumers, the economic strength and well-being of Canada should be reflected in stock prices as the year progresses.

By order of the Board of Directors

Hugh Bullock

February 25, 1974

President

Highlights

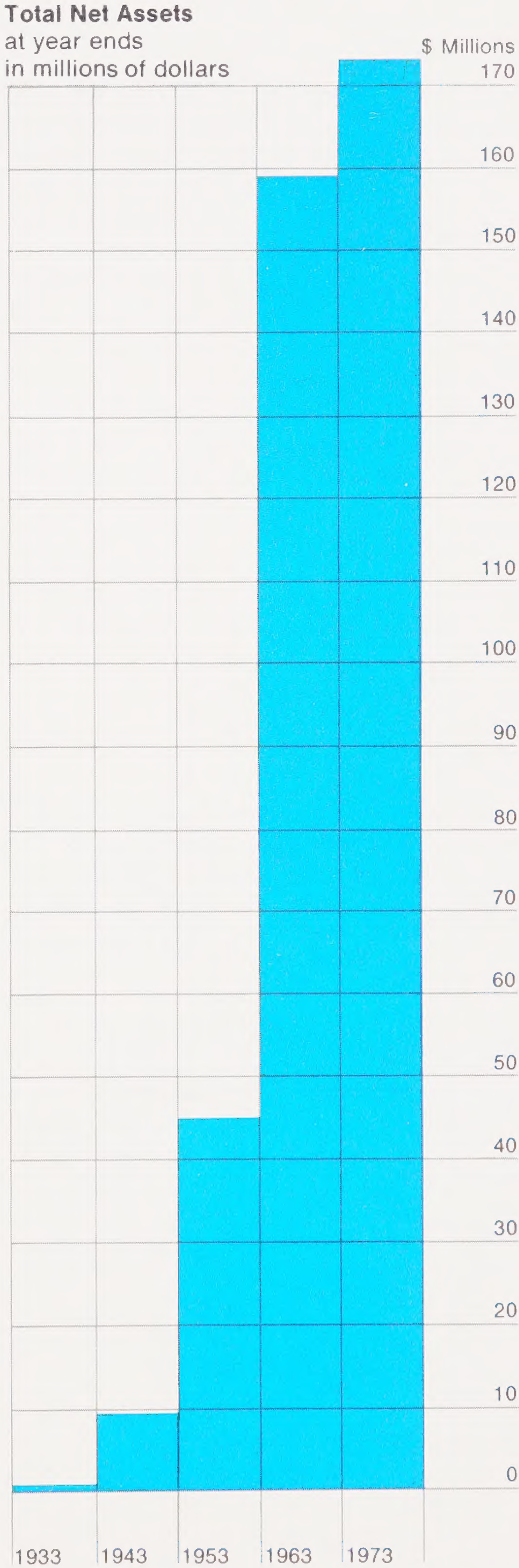
Year ended December 31	1973	1972
Total Net Assets	$173,395,215	$192,114,269
Net Asset Value Per Share	$4.98	$5.38
Cost of Investments	$103,033,142	$ 94,539,364
Market Value of Investments	$158,463,168	$171,371,923
Balance of Realized Profits	$ 62,782,430	$ 56,179,758
Unrealized Profits	$ 55,430,026	$ 76,832,559
Shares Outstanding	34,803,561	35,682,734
Total Dividends Paid	$ 7,420,666	$ 7,221,885
Dividends Paid per Share	21¢	20¢

■ Shareholders are to be found in every province of Canada as well as many other parts of the world, and include a wide variety of individuals and organizations.

■ CIF total cumulative shareholder benefits since inception exceed the Fund's net assets at the end of 1973. The total of over $242,000,000 was made up of over $125,000,000 in dividends paid, a balance of profits realized on investments exceeding $62,000,000, and unrealized profits of over $55,000,000.

■ Despite the continuing upward spiral in the costs of doing business, your Company's total operating expense ratio was only 48/100ths of 1% of average net assets. This is unusually low by industry standards.

The Fund's growth since 1933 is shown graphically at right.



Directors

The Directors of your Company are elected by and represent the shareholders. They receive weekly reports showing portfolio changes, sales and redemptions of shares and other pertinent operating figures. They review portfolio transactions at regular quarterly meetings and also make important contributions to the establishment of investment policy and to portfolio supervision by supplying significant information and opinion to the discussions of world and domestic developments which influence the trend of economic and financial affairs.

The individual Directors are also constantly available to the Investment Supervisor to hold discussions and provide opinions concerning their particular fields of business endeavour.

On the opposite page you will find the names of the Directors including brief summaries of their backgrounds and affiliations.

Investment Supervision

Your Company's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies. Assets under its supervision exceed one billion dollars.

Chairman

At a meeting of your Board of Directors held on January 8, the Chairman of the meeting reported that Mr. Graham F. Towers had submitted his resignation both as Chairman and a Director of the Company. Upon motion duly seconded it was unanimously:

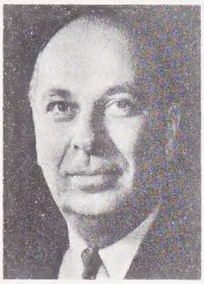
"RESOLVED that, in deference to Mr. Towers' request and with sincere and deep regret, his resignation both as Chairman and a Director of this Company be and it is hereby accepted; and

THAT the Directors upon their own behalf and upon behalf of the Shareholders of the Company do hereby record their sincere appreciation of the services rendered to the Company by Mr. Towers for the past 18 years. After serving his country as the original Governor of the Bank of Canada from 1934 to 1954, he served as a Director and, subsequently, for 15 years as CIF's able Chairman; and

THAT the Directors hereby express their regret at the termination of their formal association with a great Canadian who, with integrity and rare ability, rendered long and valuable service to his countrymen and, in turn, enjoyed their high esteem. The Directors wish to further express their warm regard and wish him many interesting and pleasurable years ahead."

It is a pleasure to be able to advise Shareholders that Mr. G. Arnold Hart, Chairman and Chief Executive Officer of the Bank of Montreal, was elected Chairman of the Company, filling the vacancy created by the resignation of Mr. Towers.

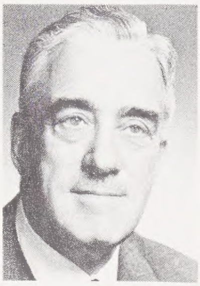
The Board of Directors



G. Arnold Hart, M.B.E.,
Chairman and Chief Executive Officer, Bank of Montreal; Director, Canadian Pacific Limited, The International Nickel Co. of Canada, Limited, Sun Life Assurance Co. of Canada.

President.
Hugh Bullock, K.B.E.,
Chairman and Chief Executive Officer, Calvin Bullock, Ltd., New York and Chairman or President of other investment companies under Calvin Bullock supervision. A pioneer in the investment company industry with over 40 years of investment experience.

David W. Barr,
President and Director, Moore Corp. Limited; Director, The Canada Life Assurance Company, Dominion Paper Box Co. Ltd., The Dominion Insurance Corporation, Moore Business Forms, Inc., National Trust Co., Ltd.



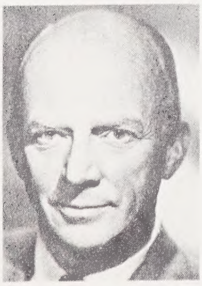
W. S. Kirkpatrick,
Former Chairman, Cominco Ltd.; Director, Dominion Bridge Co. Ltd., Eldorado Nuclear Limited.

Henry Borden, O.C., C.M.G., Q.C.,
Chairman, Canada Security Assurance Company; Director, Bell Canada, Brascan Limited, I.B.M. Canada Ltd., Massey-Ferguson Limited.

Lucien G. Rolland,
President, Rolland Paper Co., Ltd.; Director, Bank of Montreal, Bell Canada, Canadian Pacific Limited, The Steel Company of Canada, Ltd.

Alan Chippindale,
Former President, Calvin Bullock, Ltd., Montreal, and an executive officer of CIF from inception in 1932. A mutual fund industry leader in Canada for over 35 years. Founding past President of The Canadian Mutual Funds Association.

Ian D. Sinclair,
Chairman and Chief Executive Officer, Canadian Pacific Limited; Director and Vice-President, The Royal Bank of Canada; Director, Sun Life Assurance Company of Canada Limited, TransCanada PipeLines Limited, Union Carbide Canada Limited.



G. Blair Gordon,
Director, British America Assurance Co., The Mutual Life Assurance Co. of Canada, The Royal Trust Company, The Western Assurance Co.

Shareholder Services Designed to Meet Your Investment Objectives

Over the years mutual funds have developed many and varied services for their shareholders. CIF, as Canada's original mutual fund, has been among the leaders in this respect. One or more of the CIF services outlined below are being utilized by a substantial number of shareholders with estate planning or other definite objectives in mind.

CIF Growth Plan
This Plan is designed for anyone who wishes to make regular periodic contributions in order to build up his investment in CIF and to reinvest his dividends in new CIF shares. There are no penalties involved if the shareholder does not meet his proposed schedule of contributions. A Plan in which $1,000 was invested annually in CIF starting January 1, 1933 with dividends reinvested, could have been liquidated for $283,268 at December 31, 1973.

CIF Retirement Savings Plan
Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings in which currently tax-free dividends are reinvested, can use the CIF Retirement Savings Plan. It allows individuals in Canada to utilize important current tax savings to provide retirement income.

CIF Systematic Withdrawal Plan
This Plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not enough, some shares are sold to make up the difference.

Deferred Profit Sharing Plan
This recently developed Plan utilizes the provisions of Section 147 of the Income Tax Act. This Section permits companies incorporated in Canada to make contributions to this Trusteed Plan, on a voluntary basis. Yearly contributions of up to $2,500 per employee are considered a corporate expense for tax purposes and are not added to the individual employee's income. Individual employees may still make contributions of up to $4,000 annually to their personal Retirement Savings Plan resulting in possible annual tax-sheltered savings of $6,500 per individual.

Letter of Intent
This permits an investor to make a series of purchases of CIF shares over a 12 month period, frequently permitting the investor to take advantage of a reduced sales charge based on the aggregate dollar amount of purchases during the period.

Full details of these Plans are available from any investment dealer in Canada, without obligation.

CIF's Common Stock Investment Policy

The objective of your Company is to seek a balance between reasonable income and long-term capital growth.

At December 31, 1973 CIF owned common stocks of 38 Canadian Corporations and 4 U.S. Corporations operating in more than a dozen different industries. The principal concentration of investments was in companies engaged in the production or processing of Canada's rich natural resources and in the financial and food and beverage industries. The petroleum group accounted for 13.10%, the mining and heavy industry 9.75%, the public utility group, which included natural gas, 5.19%, and banks and other financial institutions 19.89% of net assets.

Participation in Canada's Future

Canadian mutual funds, as well as other investment companies and pension funds, have played an increasingly important role over the past decade in channeling the savings of investors both in this country and overseas into Canadian common stocks. The total value of this portion of the portfolios of Canadian mutual funds alone increased from some $500 million to $1½ billion during the decade.

CIF has one of the highest "Canadian content" portfolios in the industry, and will continue to attract investors of all sorts who are interested in owning a stake in Canada's future.

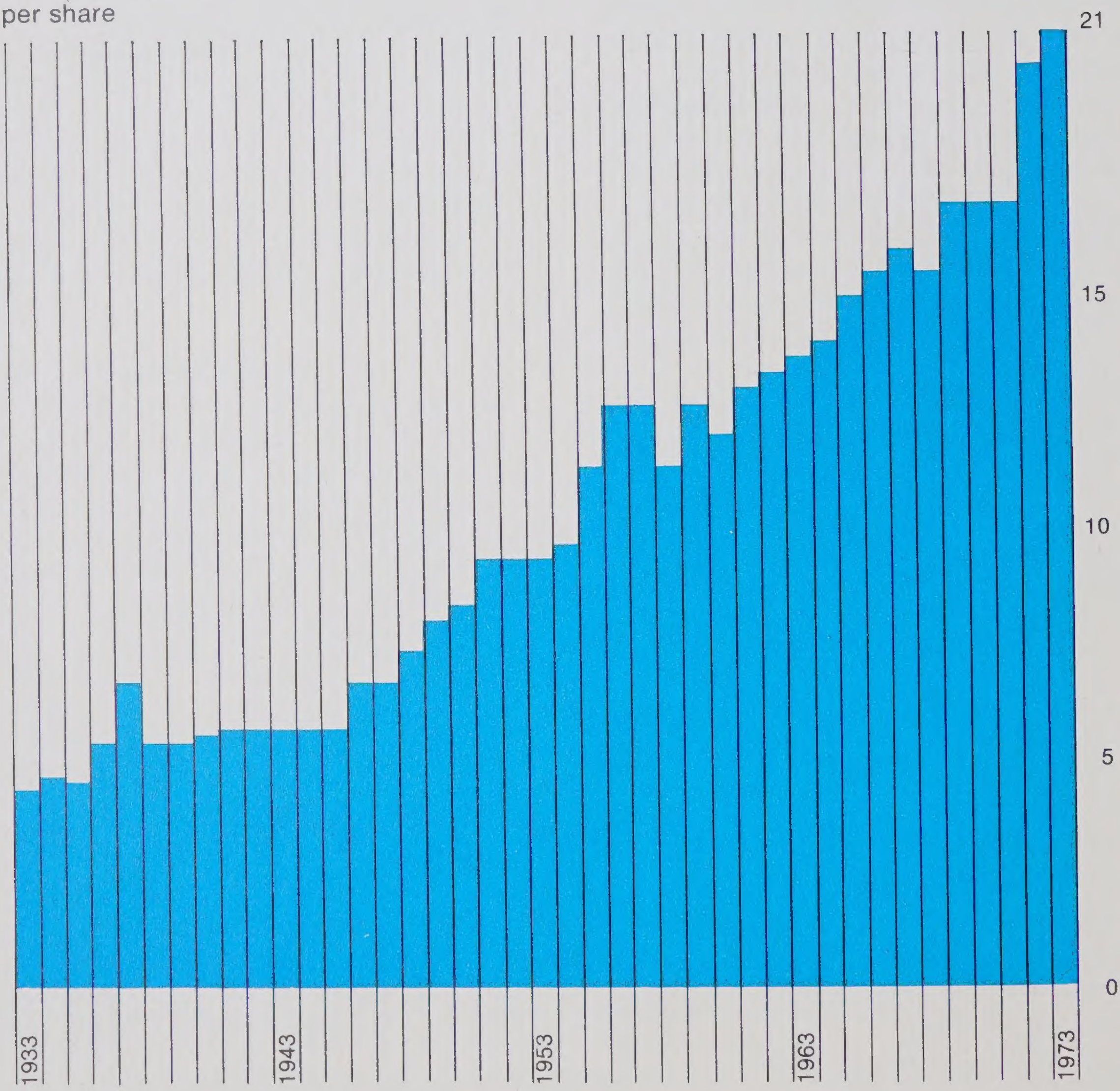
Shown below are the ten largest individual common stock holdings at December 31, 1973.

	Original Cost	Market Value
Moore Corporation	$3,881,906	$18,313,500
Hiram Walker	2,448,872	13,281,250
IAC Limited	3,854,623	7,987,500
Bank of Montreal	4,885,292	7,943,750
Royal Bank of Canada	2,658,578	7,325,000
Imperial Oil	1,947,710	6,000,000
Interprovincial Pipe Line	3,003,546	4,715,000
Bank of Nova Scotia	2,910,478	4,712,500
International Nickel	2,986,585	4,464,000
Dominion Foundries and Steel	2,630,193	3,965,625

Dividends

Dividends paid in 1973 totalled a record high 21 cents per share. Details of the makeup and Canadian tax status of this 21 cents are given on page 23. The chart below shows the substantial growth in annual dividends paid by the Fund since its inception. At the end of 1973 CIF had paid 163 consecutive quarterly cash dividends totalling more than $125 million.

Dividends
annually in cents
per share

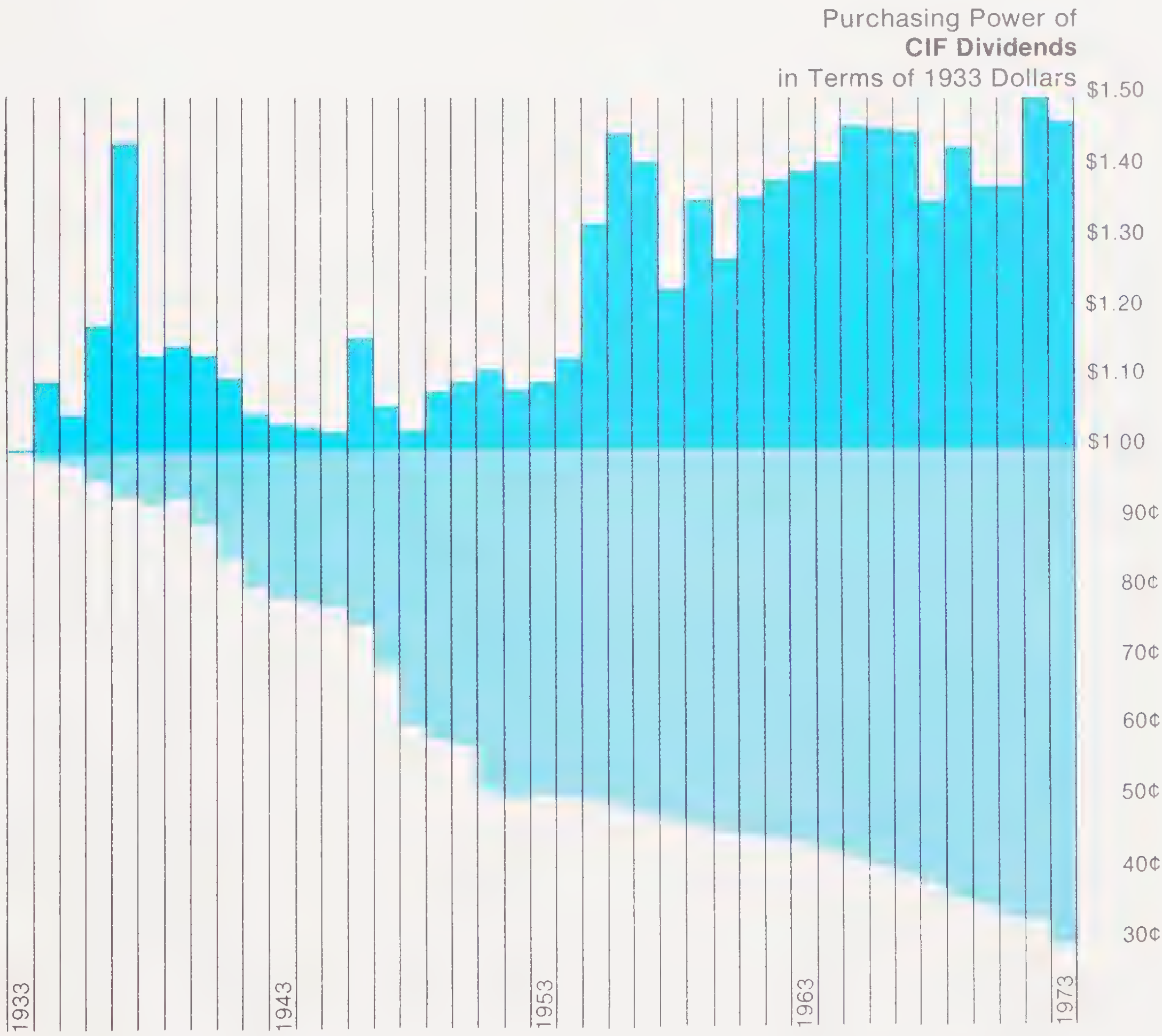


Protection Against Rising Prices

Throughout this century the cost of living has risen; a dollar buys fewer loaves of bread than it did ten years ago. In the past, the market values of carefully selected common stocks have usually risen more than the cost of living, and so have their dividends.

Though inflation has reduced the purchasing power of money, CIF shareholders have been protected against rising prices over the Fund's forty-one year history. CIF dividends in terms of 1933 dollars (upper part of the chart) are compared to the continuous loss in purchasing power of a fixed dollar income over the period (lower part of the chart).

Moreover, shareholders' capital has been protected from inflation over the same period. For example a $10,000 investment in CIF at offering price on January 1, 1933 could have been liquidated for $49,004 at the end of 1973, a capital gain of 390% compared with a 230% rise in the official cost of living index in the period.



1973 in Review

Historians observing the cold statistics of stock market index levels might at some future time reflect on 1973 as the year when little happened. At year-end the Toronto Industrials closed at 213.67, only 7.90 points or 3.5% down from the end of 1972, with comparable figures for Montreal. CIF, partly through payment of higher dividends, also managed to emerge from 1973 with a small decline of 3.5%.

Yet 1973 was a year filled with such unusual extremes in stock prices and such fearful prospects, occasioned mainly by sharp price inflation of 7.6%, that many positive developments were almost overlooked by investors.

Since World War II the world community had until 1971 experienced fixed currency values under the Bretton Woods Agreement, with increasing trade fostered through lowered tariff barriers resulting from GATT negotiations. We in Canada appeared to have a cooperative framework within which the provinces worked with the federal government.

At present with major world currency values floating, or fetching what the market will bear, some sharp dislocations have occurred. The Canadian and U.S. dollars dropped against European and Japanese currencies. This change made imports more expensive in 1973 and spurred inflation at a time of rising food prices. Another effect of depreciating currencies was an emerging investor preference for gold as the ultimate tangible value.

In North America, the sharp rise in manufactured import prices occasioned a swing to relatively cheaper domestic goods. This in turn has caused major production volume increases to the point where Canadian plants are nearing limits of productive capacity. The impact on corporate profits and increased employment of Canadians has been substantial and positive.

In the year past Canada achieved much. For the first nine months the GNP rose by approximately 14% to a third quarter level of $119 billion, with real growth of 7% over the like period a year earlier. Unemployment in December was 5.6% compared to 6.8% a year earlier. Disposable income rose 15.7% and corporate profits rose 37% pre-tax in the third quarter of 1973 over 1972, to bring price to earnings ratios for stocks to the cheapest level in two decades.

Outlook

The international community will continue to experience high inflation caused in large part by significantly higher crude oil prices. The strain on balance of payments, especially of less-developed countries, could be substantial. On the other hand, investment by the oil exporting countries of a substantial part of their increased revenues in products and stocks of importing countries could redress the imbalance and have a positive influence on economic development and stock markets.

In Canada one of the biggest challenges in 1974 is the resolution of jurisdictional disputes between competing levels of government. We hope that governments will produce a clearly enunciated operational framework that will preclude vast price increases for domestic resources but will also enable a competitive rate of return to be earned by the companies concerned, so that they and their employees who collectively wield the necessary expertise, may be encouraged to continue working at development of resources in Canada.

Wholesale prices rose very sharply in 1973. The November figure was 24.6% higher than a year earlier. The consumer price index was up 9.1% in December. This rate of increase can be expected to rise somewhat more before declining as higher commodity prices work their way into the finished products.

While rising food prices led the inflationary spiral upward a year ago, there is encouraging evidence that the rate of price rise is at least levelling off. Prices of some other internationally traded products such as wool, copper, and lumber have also come down from highs reached last year. Generally we would expect increasing stability rather than sharp reductions in consumer price levels for 1974.

After many years of stagnation, Canadian farm income has grown rapidly in the past two years. However so have the farmers' costs so that the real growth may not be anything like as great. Average Canadian industrial earnings growth exclusive of prices in Canada was 5.6% in 1971, 3.4% in 1972 and nil in 1973. In view of the relatively low level of unemployment just now it seems probable that labour demands for wage increases could be substantial this year.

Provided there is reasonable labour peace, capital spending should provide stimulus for a continued high level of construction and employment. Credit will be made available for expansion but demand for financing should keep long term interest rates fairly high. Our dollar may be expected to appreciate relative to overseas currencies. New domestic production and cheaper imports could abate inflation as the year progresses.

Altogether we would expect GNP to rise about 10%, with 3% real growth and slightly more than 7% price increase for 1974. Of the industrialized countries, Canada stands out as best equipped to weather world-wide shortages of scarce raw materials.

Canadian Investment Fund, Ltd. (Incorporated under Canada Corporations Act)

Statement of Net Assets — December 31, 1973

Assets	**1973**	**1972**
Investments at market value (average cost — 1973 — $103,033,142; 1972 — $94,539,364)	$158,463,168	$171,371,923
Cash on deposit, demand	15,049,055	20,112,618
Interest accrued and dividends receivable	1,095,555	927,463
Due by subscriber to capital stock	39,395	132,633
Receivable in respect of securities sold	—	755,950
Prepaid income taxes	50,320	2,468
Total assets	174,697,493	193,303,055

Liabilities		
Payable in respect of securities purchased	1,055,476	803,332
Payable for special shares of capital stock redeemed or purchased for cancellation	58,359	198,109
Management and directors' compensation payable	170,908	177,191
Accrued expenses and sundry accounts payable	16,938	9,707
United States withholding tax	597	447
Total liabilities	1,302,278	1,188,786
Net assets at market value	$173,395,215	$192,114,269
Net asset value per share	$4.98	$5.38

Shareholders' Equity		
Capital stock:		
Special shares of 33⅓ cents each (redeemable on demand by the holders at liquidating value as provided in the Letters Patent of the Company) —		
Authorized — 105,000,000 shares of which 44,991,063 (1972 — 42,129,954) have been redeemed or purchased for cancellation from inception		
Outstanding — 34,800,561 shares (1972 — 35,679,734 shares)	$ 11,600,187	$ 11,893,245
Ordinary shares — Authorized and outstanding — 3,000 shares of 33⅓ cents each	1,000	1,000
Total capital stock	11,601,187	11,894,245
Surplus, per statements annexed:		
Paid-in surplus	41,327,666	45,539,982
Earned surplus	65,036,336	57,847,483
Total surplus	106,364,002	103,387,465
Unrealized appreciation of investments	55,430,026	76,832,559
Shareholders' equity as per net assets above	$173,395,215	$192,114,269

Approved on behalf of the Board:

G. ARNOLD HART, *Director*
ALAN CHIPPINDALE, *Director*

Canadian Investment Fund, Ltd.

Statement of Income Account for the Year Ending December 31, 1973

Income:	1973	1972
Cash dividends	$5,950,028	$5,461,029
Bond interest	27,189	—
Interest on cash deposits	1,107,155	1,164,747
Proceeds from sale of rights	5,282	—
	7,089,654	6,625,776
Expenses:		
Management	609,747	617,730
Transfer, dividend paying agent's and custodian's fees	90,523	122,554
General expenses and auditors' fees	84,295	86,196
Taxes, other than income taxes	3,805	3,606
Legal fees and expenses	9,812	15,743
Directors' compensation	85,500	85,500
	883,682	931,329
Net income before providing for the items shown below	6,205,972	5,694,447
United States withholding and Canadian income taxes paid and provided for	100,669	150,383
Net income, exclusive of profit or loss from sales of securities	$6,105,303	$5,544,064
Net income per share based on the average number of shares outstanding during the year	17¢	15¢

Canadian Investment Fund, Ltd.

Statement of Paid-In Surplus Account for the Year Ending December 31, 1973

	1973	1972
Balance at beginning of year	$45,539,982	$49,793,167
Less: Included in beginning balance of distribution account, per statement annexed	11,879	10,786
	45,528,103	49,782,381
Proceeds from special shares subscribed for during year, not including portion of subscription price credited to distribution account	10,272,428	10,819,463
Less: Par value thereof	660,645	711,752
	9,611,783	10,107,711
	55,139,886	59,890,092
Deduct: Consideration paid on redemption or purchase for cancellation of special shares during year, not including amount charged to distribution account	14,774,850	15,369,005
Less: Par value thereof	953,703	1,007,016
	13,821,147	14,361,989
	41,318,739	45,528,103
Portion of subscription price included in balance of distribution account	8,927	11,879
Balance of paid-in surplus at end of year	$41,327,666	$45,539,982

Canadian Investment Fund, Ltd.

Statement of Earned Surplus Account for the Year Ending December 31, 1973

	1973	1972
Realized profits from sales of securities:		
Balance at beginning of year	$56,179,758	$52,688,177
Realized profits during year	8,533,595	5,277,705
	64,713,353	57,965,882
Deduct:		
"Capital gains dividend"		
paid in cash or stock —		
Special shares	—	1,070,401
Ordinary shares	—	90
"1971 capital surplus dividend"		
paid in cash —		
Special shares	1,930,758	715,573
Ordinary shares	165	60
	1,930,923	1,786,124
Balance at end of year	62,782,430	56,179,758
Portion of balance of distribution account at end of year, per statement annexed	2,253,906	1,667,725
Balance of earned surplus at end of year	$65,036,336	$57,847,483

Statement of Distribution Account for the Year Ending December 31, 1973

	1973	1972
Balance of income account, per statement annexed	$6,105,303	$5,544,064
Balance of distribution account at beginning of year	1,679,604	1,607,720
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	79,312	84,553
	7,864,219	7,236,337
Deduct:		
Dividends paid —		
Special shares	5,489,278	5,435,311
Ordinary shares	465	450
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts	111,643	120,972
	5,601,386	5,556,733
Balance of distribution account at end of year	$2,262,833	$1,679,604
Included in paid-in surplus, per statement annexed	$ 8,927	$ 11,879
Included in earned surplus, per statement annexed	2,253,906	1,667,725
	$2,262,833	$1,679,604

Canadian Investment Fund, Ltd.

Statement of Changes in Net Assets for the Year Ending December 31, 1973

	1973	1972
Net assets at beginning of year	$192,114,269	$171,977,572
Add (deduct) changes during year:		
Net investment income	6,105,303	5,544,064
Realized profits from sales of securities (Note 2)	8,533,595	5,277,705
Increase (decrease) in unrealized appreciation of investments	(21,402,533)	21,122,774
Proceeds from subscriptions to special shares	10,351,740	10,370,150
Consideration attached to shares issued as dividend	—	533,866
Consideration paid on redemption or purchase for cancellation of special shares	(14,886,493)	(15,489,977)
Dividends declared on capital stock —		
From net investment income	(5,489,743)	(5,435,761)
From realized profits from sales of securities	(1,930,923)	(1,786,124)
	(18,719,054)	20,136,697
Net assets at end of year	$173,395,215	$192,114,269

	Per share	
Net asset value at end of year	$4.98	$5.38
Net asset value at beginning of year	$5.38	$4.70
Distribution out of net investment income	15½¢	15¢
Distribution out of realized profits from sales of securities —		
"Capital gains dividend"	—	3¢
"1971 capital surplus dividend"	5½¢	2¢

Investments
At December 31, 1973

Common Stocks	Number of Shares	Market Value†	Proportion of a $10,000 Investment*
Automotive			
General Motors Corporation	80,000	$ 3,673,395	$ 212
Bank			
Bank of Montreal	410,000	7,943,750	458
The Bank of Nova Scotia	130,000	4,712,500	272
Banque Canadienne Nationale	85,000	1,530,000	88
Canadian Imperial Bank of Commerce	140,000	3,885,000	224
The Royal Bank of Canada	200,000	7,325,000	422
The Toronto-Dominion Bank	30,000	1,117,500	64
		26,513,750	1,528
Non-Bank Financial			
IAC Limited	450,000	7,987,500	461
Building			
Canada Cement Lafarge Ltd.	100,000	1,287,500	74
Chemical			
Canadian Industries Limited	130,000	2,535,000	146
Union Carbide Canada Limited	30,000	491,250	28
		3,026,250	174
Food and Beverage			
Burns Foods Limited	85,000	1,264,375	73
Canada Packers Limited "C"	165,000	3,877,500	224
Hiram Walker — Gooderham & Worts, Limited "A"	250,000	13,281,250	766
		18,423,125	1,063
Heavy Industry			
Dominion Foundries and Steel, Limited	135,000	3,965,625	229
The Steel Company of Canada, Limited	100,000	2,912,500	168
		6,878,125	397
Mining			
Cominco Ltd.	35,000	1,190,000	69
The International Nickel Company of Canada, Limited	128,000	4,464,000	257
Noranda Mines Limited "A"	42,000	2,105,250	121
Placer Development Limited	100,000	2,262,500	131
		10,021,750	578
Paper and Newsprint			
Abitibi Paper Company	275,000	3,643,750	210
Crown Zellerbach Corporation	10,000	363,357	21
MacMillan Bloedel Limited	100,000	3,200,000	185
		7,207,107	416

Investments
At December 31, 1973

Common Stocks (Continued)	Number of Shares	Market Value†	Proportion of a $10,000 Investment*
Petroleum			
Exxon Corporation	30,000	$ 2,811,043	$ 162
Home Oil Company Limited "A"	60,000	2,985,000	172
Hudson's Bay Oil and Gas Company Limited	81,000	3,493,125	201
Imperial Oil Limited	150,000	6,000,000	346
Interprovincial Pipe Line Limited	230,000	4,715,000	272
Shell Canada Limited "A"	150,000	2,718,750	157
		22,722,918	1,310
Public Utility			
British Columbia Telephone Company	40,000	1,985,000	115
The Consumers' Gas Company	85,000	1,328,125	77
TransCanada PipeLines Limited	120,000	3,675,000	212
Union Gas Limited	200,000	2,000,000	115
		8,988,125	519
Retail Trade			
Dominion Stores Limited	105,000	1,312,500	76
Hudson's Bay Company	155,000	2,790,000	161
Woodward Stores Limited "A"	120,000	2,190,000	126
		6,292,500	363
Textile			
Dominion Textile Limited	130,000	1,121,250	65
Miscellaneous			
Brascan Limited "A"	50,000	850,000	49
Canadian Pacific Limited	235,000	3,642,500	210
Imasco Limited	67,000	1,943,000	112
International Business Machines Corporation	6,250	1,535,248	89
Moore Corporation Limited	348,000	18,313,500	1,056
		26,284,248	1,516
Total Common Stocks		150,427,543	8,676
Preferred Stocks			
Bell Canada "A", $3.20 Conv.	55,000	2,358,125	136
British Columbia Telephone Company, 7.04%	28,000	623,000	36
John Labatt Limited, Series A, $1.00 Conv.	71,500	1,644,500	95
TransCanada PipeLines Limited, $2.65 Conv.	60,000	2,385,000	137
Total Preferred Stocks		7,010,625	404
Bonds	**Principal Amount**		
Hudson's Bay Company, 6% Exchangeable Debentures	$1,000M	1,025,000	59
Total Bonds		1,025,000	59
Total Investments		158,463,168	9,139
Cash, Etc., Net		14,932,047	861
Total Net Assets		$173,395,215	$10,000

†Investments valued at market quotations. Market values of United States securities are expressed in Canadian Funds at the rate of exchange prevailing on December 31, 1973, 9/20 of 1% discount on U.S. Funds.

*Dollar amount for each security represented by a $10,000 investment in the Fund at asset value on that date.

Investment Changes
December 31, 1972 — December 31, 1973

Increases	Net Increase	New Total
Common Stocks	Shares	Shares
Abitibi Paper Company	150,000	275,000
Bank of Montreal	10,000	410,000
Banque Canadienne Nationale	45,000	85,000
Brascan Limited "A"	50,000	50,000
Burns Foods Limited	60,000	85,000
Canada Cement Lafarge Ltd. (1)	89,000	100,000
Canada Packers Limited "C"	40,000	165,000
Canadian Industries Limited	30,000	130,000
Canadian Pacific Limited	155,000	235,000
Cominco Ltd.	35,000	35,000
Dominion Foundries and Steel, Limited	35,000	135,000
Dominion Stores Limited	75,000	105,000
Dominion Textile Limited	130,000	130,000
Home Oil Company Limited "A"	50,000	60,000
Hudson's Bay Company	22,000	155,000
Hudson's Bay Oil and Gas Company Limited	31,000	81,000
Imasco Limited	2,000	67,000
International Business Machines Corporation (2)	1,250	6,250
The International Nickel Company of Canada, Limited	38,000	128,000
Placer Development Limited (3)	55,000	100,000
Shell Canada Limited "A" (4)	150,000	150,000
The Toronto-Dominion Bank	2,000	30,000
Union Carbide Canada Limited	30,000	30,000
Union Gas Limited	35,000	200,000
Woodward Stores Limited "A"	20,000	120,000
Preferred Stocks		
John Labatt Limited, Series "A", $1.00 Conv.	36,500	71,500
TransCanada PipeLines Limited, $2.65 Conv.	23,000	60,000
Bonds	**Principal**	**Amount**
Hudson's Bay Company, 6% Exchangeable Debentures	$1,000M	$1,000M

(1) Split 4 for 1 plus shares purchased.
(2) Split 5 for 4.
(3) Split 2 for 1 plus shares purchased less shares sold.
(4) Split 3 for 1 plus shares purchased.

Investment Changes
December 31, 1972 — December 31, 1973

Decreases	**Net Decrease**	**New Total**
Common Stocks	Shares	Shares
Alcan Aluminum Limited	60,000	Nil
The Bank of Nova Scotia	9,000	130,000
Bell Canada	90,000	Nil
Consolidated-Bathurst Limited	100,000	Nil
The Consumers' Gas Company	15,000	85,000
Dome Mines Limited	20,000	Nil
Imperial Oil Limited	90,000	150,000
Interprovincial Pipe Line Company	70,000	230,000
MacMillan Bloedel Limited	60,000	100,000
Noranda Mines Limited "A"	38,000	42,000
Rio Algom Mines Limited	50,000	Nil
The Royal Bank of Canada	70,000	200,000
Texaco Canada Limited	12,000	Nil
TransCanada PipeLines Limited	50,000	120,000
Preferred Stocks		
Bell Canada "A", $3.20 Conv.	5,000	55,000
Canadian Pacific Limited, 7¼%	83,000	Nil

Notes to the Financial Statements December 31, 1973

Note 1: The number of special shares issued and redeemed or purchased for cancellation are as follows:

	1973	1972
Outstanding at beginning of year	35,679,734	36,565,527
Increase (decrease) during the year		
Issued —		
For cash	1,981,936	2,033,236
As dividend	—	102,021
Redeemed or purchased for cancellation	(2,861,109)	(3,021,050)
Outstanding at end of year	34,800,561	35,679,734

Note 2: A summary of the realized profits from sales of securities are as follows:

	1973	1972
Proceeds from sales of securities	$ 31,905,340	$ 26,531,537
Investments at average cost at beginning of year	94,539,364	92,507,776
Cost of securities purchased	31,865,523	23,285,420
	126,404,887	115,793,196
Investments at average cost at end of year	103,033,142	94,539,364
Cost of securities sold	23,371,745	21,253,832
Realized profits from sales of securities	$ 8,533,595	$ 5,277,705

Note 3: Income taxes payable on realized net taxable capital gains for the year ended December 31, 1973 amount to $1,100,000 and are fully recoverable as a result of the redemption of Company shares and the declaration on January 8, 1974 of a capital gains dividend payable on February 18, 1974. Accordingly capital gains taxes payable and their expected recovery have been offset in the accompanying financial statements with no effect on net assets at December 31, 1973 or net income for the year then ended.

Note 4: There are ten directors and six officers of the Company. Two of the officers are directors. The nine directors who are remunerated received $85,500 (1972 — $85,500). None of the officers received remuneration in their capacity as officers of the Company.

Auditors' Report

To the Shareholders of
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd., as at December 31, 1973 and the statements of income, surplus and distribution accounts for the year then ended. We have also examined the statements of changes in net assets and in investments. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1973 and the results of its operations and the changes in net assets and in investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants

Montreal, January 8, 1974

Canadian Federal Income Tax Information

The Company has already sent to each shareholder a Federal income tax form T-5 (NR-4 in the case of non-resident shareholders) which sets forth the total amount of taxable dividends.

The table below shows the treatment for Canadian Federal income tax purposes of the per share dividends received from the Company during the calendar year 1973:

Dividend Payment Date	**Total**	**Non Taxable**	**Taxable as Canadian Dividend Income**
February 1	3¢		3¢
May 1	3		3
August 1	4		4
November 1	11	5½¢	5½
	21¢	5½¢	15½¢

Tax-Free Dividend

The dividend of 11¢ per share paid on November 1 included 5½¢ which was a tax-free dividend out of the Company's 1971 capital surplus on hand. The amount of this dividend (5½¢) is not taxable as income, but should be deducted from the cost of your shares in computing the adjusted cost base for capital gains purposes.

Other Taxable Dividends

The other dividends paid in 1973 totalling 15½¢ per share represent income from ordinary dividends as shown in the table above and these are to be treated as Dividends from Taxable Canadian Corporations. The "actual amount" of these dividends is clearly shown on the Canadian Federal income tax form T-5 as sent to shareholders resident in Canada. The next amount shown is the "taxable amount" which is the actual amount received "grossed up" by 33⅓%. This is the amount that should be reported by Canadian taxpayers as income from this Company. Finally, the Federal tax credit is shown and this amount can be used as a credit against Canadian income tax otherwise payable.

Non-residents continue to receive Federal tax form NR-4 which shows gross amount of dividends and 10% non-resident tax withheld.

Valuation Day

The official value of your Company's shares for Valuation Day purposes is $4.70 per share which was the net asset value per share at the close of business December 31, 1971.

May We Recommend That Shareholders Preserve This Notice Carefully.

Long-Term Record

Shareholders may find it interesting to review the chart opposite which illustrates how an assumed investment of $10,000 made at CIF's initial offering price in December 1932 had grown in the 41 years to the end of 1973. It should be pointed out that the figures make no provision for income taxes, if any, payable by the investor on dividends. Those interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, based primarily on dividend paying quality common stocks, should note the relatively minor fluctuations in the value of the investment from year to year, as well as the long-term results.

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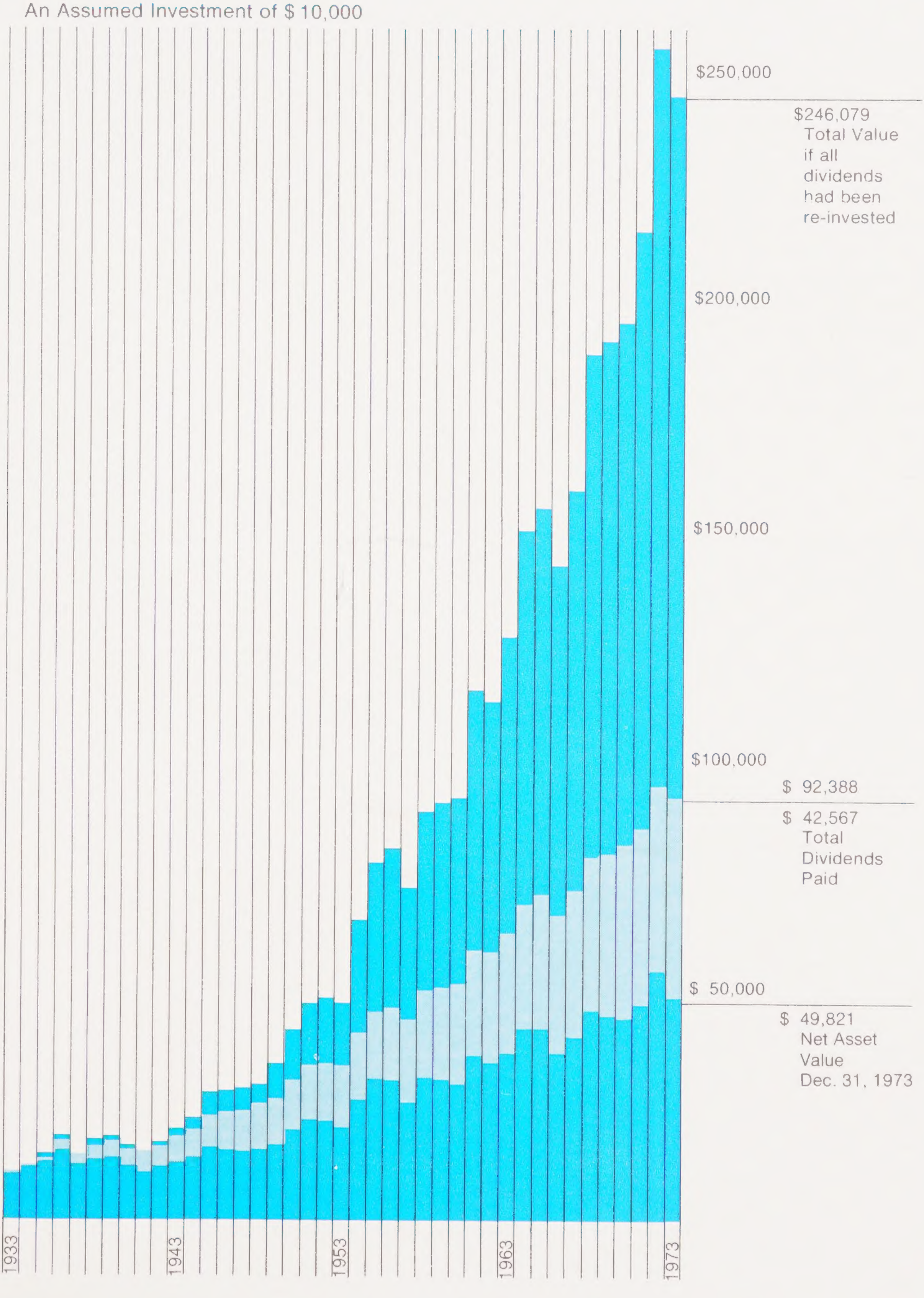
Canadian Investment Fund, Ltd.



Canada

"Upon the whole surface of the globe, there is no more spacious and splendid domain open to the activity and genius of free men."

—Sir Winston Churchill